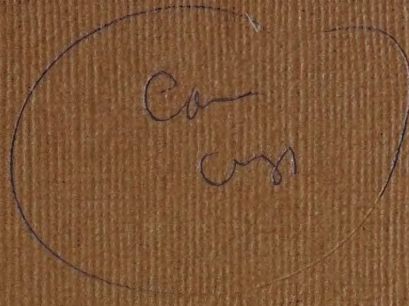


AR42



ANNUAL REPORT 1971

Directors

Thomas M. Bradfield

Alexander H. Douglas

George F. Leaver

John B. McLellan

James J. P. Walsh, Q.C.

Officers

Alexander H. Douglas, *President*

Thomas M. Bradfield, *Vice-President*

John B. McLellan, *Secretary*

Albert Zoberman, *Treasurer*

Transfer agents and registrars

Canada Permanent Trust Company, Toronto

Solicitors

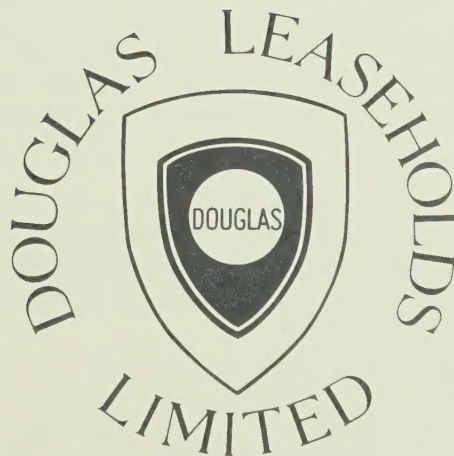
Fraser & Beatty, Toronto

Bankers

Canadian Imperial Bank of Commerce, Toronto

Auditors

Laventhol Krekstein Horwath & Horwath, Toronto



1000 Lawrence Ave. West, Toronto, Ontario



Your Directors submit the Annual Report of the Company for 6 months ended December 31, 1971, with comparative figures for the 12 months or the year ended June 30, 1971.

Financial

We have changed our year end from June 30 to December 31, in order to coincide with the year end of Auto Electric Service Company, Limited.

Commencing in 1972 we intend to adopt the equity method of accounting whereby our financial statements will incorporate our portion of the earnings of Auto Electric Service Company, Limited.

Operations

Our concentrated efforts to re-organize Auto Electric Service Company, Limited are meeting with success. Auto Electric for the year ended December 31, 1971 had an increase in sales to \$31,500,000 and an after tax profit of \$335,000 compared to an operating loss of \$168,000 in 1970.

Tru-Wall Concrete Forming Limited reported for the 9 months ended February 29, 1972 a 33% increase in sales to \$5,668,000 and an 89% increase in after tax profits to \$63,696. Tru-Wall has diversified its operations by purchasing in excess of 150 building lots in the Oakville area. It has completed 5 model homes and started construction on a further 22 homes. Of course, no revenue from this housing development is reflected in its current sales or earnings report.

We have reached agreement in principle with Monsanto Canada Ltd. the tenant of our manufacturing plant in Woodbridge to construct a major addition in 1972. The construction plans are being prepared and will increase the size to approximately 375,000 square feet.

In October we leased the car wash previously operated by our subsidiary Juniper Investments Limited to a major oil company on a net/net basis.

On behalf of the Board,

ALEXANDER H. DOUGLAS,
President.

May 15, 1972



Pictured here are new facilities erected on property owned by your company showing the newest concept of gasoline marketing. This outlet at Dundas and Dixie Roads in Mississauga is a self service gas bar with 7 pump islands, 14 dual pumps, with 3 canopies and central office facilities. The pumps are all remote controlled and have remote read outs from each pump to the control panels.

This new concept of gasoline service has been very successful and this location could become one of the highest gasoline gallonage outlets in Southern Ontario.

Consolidated statement of income and retained earnings

(Note 1)

	Six Months Ended December 31, 1971	Year Ended June 30, 1971
		(Restated) (Note 11)
Revenue :		
Rentals	\$641,014	\$1,238,577
Less rent paid on leased service stations	66,967	136,759
	574,047	1,101,818
Dividend income and management fees	38,618	71,327
Car wash income	38,928	141,654
	651,593	1,314,799
Expenses :		
Interest on long-term debt	176,431	355,026
Depreciation	41,996	65,947
Other operating expenses	343,634	683,179
	562,061	1,104,152
Income before income taxes, gains on disposition of investment properties and other extraordinary items	89,532	210,647
Income taxes (Note 7)	31,162	87,328
Income before gains on disposition of investment properties and other extraordinary items	58,370	123,319
Extraordinary items	—	59,687
Net income	58,370	183,006
Retained earnings at beginning of period as restated (Note 11)	633,961	411,604
Realization of appraisals, net of applicable income taxes	—	39,351
Retained earnings at end of period	\$692,331	\$ 633,961
Earnings per share :		
Net income	7.4¢	23.2¢
Income before extraordinary items	7.4¢	15.6¢

See accompanying notes.

Consolidated statement of source and use of funds

(Note 1)



	Six Months Ended December 31, 1971	Year Ended June 30, 1971
Source of funds:		(Restated)
Operations:		(Note 11)
Net income	\$ 58,370	\$183,006
Add items not requiring cash outlay:		
Depreciation and amortization	41,996	78,013
Deferred income taxes	8,114	19,203
	<u>108,480</u>	<u>280,222</u>
Cost of properties sold	—	81,923
Repayment of mortgages receivable	—	105,704
Mortgage proceeds	—	277,000
Shareholder's advances	—	(602)
Realizations of appraisal	—	39,351
Change in bank indebtedness	99,360	(14,057)
	<u>\$207,840</u>	<u>\$769,541</u>
Use of funds:		
Principal payments on bonds and mortgages	\$105,825	\$412,260
Investment in shares of publicly held companies	23,572	53,676
Sinking fund deposit	44,506	(190)
Purchase of properties and equipment	3,350	293,343
Net change in other assets and liabilities	13,504	10,452
Adjustment of prior years' income (Note 11)	17,083	—
	<u>\$207,840</u>	<u>\$769,541</u>

See accompanying notes.

Consolidated Balance Sheet

(Note 1)

Assets	December 31, 1971	June 30, 1971
		(Restated) (Note 11)
Accounts and mortgages receivable (Note 2)	\$ 88,777	\$ 80,420
Sinking fund cash deposit	118,671	74,165
Land held for resale, at cost	29,994	30,336
Investment properties and equipment (Note 3)	7,685,793	7,719,559
Investment in shares of publicly held companies (Note 4)	943,115	919,543
Prepaid expenses and sundry assets	51,539	56,896
Deferred financing costs and expenses, less amortization (Note 5)	183,485	192,324
	<u>\$9,101,374</u>	<u>\$9,073,243</u>

Auditors' Report

To the Shareholders of
Douglas Leaseholds Limited

We have examined the consolidated balance sheet of Douglas Leaseholds Limited and subsidiary as at December 31, 1971 and the consolidated statements of income and retained earnings and source and use of funds for the six months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Companies as at December 31, 1971 and the results of their operations and the source and use of their funds for the six months then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Laventhol Krekstein Horwath & Horwath

Chartered Accountants

Toronto, Ontario,
March 17, 1972.



Liabilities	December 31, 1971	June 30, 1971
		(Restated)
		(Note 11)
Bank indebtedness (Notes 4 and 6)	\$ 488,244	\$ 388,884
Accounts payable and accrued interest	177,276	187,694
Shareholder's loan	90,000	90,000
First mortgage bonds (Note 6)	2,902,000	2,947,000
Mortgages payable (Note 6)	1,749,421	1,827,329
Deferred commissions payable	77,500	81,250
Deferred income	73,346	73,983
Deferred income taxes (Note 7)	180,376	172,262
	<u>5,738,163</u>	<u>5,768,402</u>
Shareholders' equity		
Capital (Note 8) :		
Authorized:		
1,500,000 Common shares, without par value		
Issued :		
790,000 Common shares	1,066,200	1,066,200
Excess of appraised value of land included in properties over cost (Note 3)	1,604,680	1,604,680
Retained earnings	692,331	633,961
	<u>3,363,211</u>	<u>3,304,841</u>
	<u>\$9,101,374</u>	<u>\$9,073,243</u>

See accompanying notes.

Approved on behalf of the
Board of Directors :

A. H. Douglas, *Director*
T. M. Bradfield, *Director*

Notes to consolidated financial statements

Six months ended December 31, 1971

1. Accounting principles:

The 1971 consolidated financial statements include the accounts of the Company's wholly-owned subsidiary, Juniper Investments Limited.

The fiscal year end of the Company and its consolidated subsidiary was changed from June 30 to December 31. For purposes of comparison, the consolidated financial statements present figures for the year ended June 30, 1971.

2. Accounts and mortgage receivable:

Mortgage receivable, 9%, matures October 17, 1979	\$27,662
Sundry accounts receivable	61,115
	<u>\$88,777</u>

3. Investment properties and equipment:

Undeveloped land, at appraised value		\$ 145,500
Developed properties:		
Land, at cost	\$ 495,028	
Land, at appraised value	3,675,910	
Buildings and equipment, at cost	<u>3,810,523</u>	
	7,981,461	
Less accumulated depreciation	<u>441,168</u>	<u>7,540,293</u>
		<u>\$7,685,793</u>

The Company uses the sinking fund method of depreciation under which an increasing amount, consisting of a fixed annual sum together with interest computed at the rate of 5% per annum, is charged to income so as to fully depreciate the buildings over a 35-year period. Equipment is depreciated on a straight-line basis at 10% per annum.

Land shown above at appraised value is based on an appraisal made June 30, 1968 by Canada Permanent Trust Company. The excess of appraised value over cost has been reduced from \$1,687,859 to \$1,604,680 as a result of the realization of appraisal through sale of properties.

4. Investment in shares of publicly held companies, at cost:

Company	No. of Shares	Cost	Market Value December 31, 1971	Market Value March 17, 1972 (Date of Auditors' Report)
Auto Electric Service Company Limited	129,500 (21.2% of total issued)	\$724,662	\$777,000	\$1,019,812
Tru-Wall Concrete Forming Limited	55,455 (15.0% of total issued)	212,154	166,365	196,865
Sundry		6,299	3,100	3,100
		<u>\$943,115</u>	<u>\$946,465</u>	<u>\$1,219,777</u>

These shares have been pledged against bank and other indebtedness.

5. Deferred financing costs and expenses, less amortization:

Unamortized mortgage financing costs	\$ 81,084
Unamortized leasing commissions	96,645
Prepaid rent	5,756
	<u>\$183,485</u>

The above costs are being amortized over the terms of the respective mortgages and loans.

6. Long-term debt:

First mortgage bonds:	
6¾% serially due January 1, 1970 to 1985	\$ 169,000
7½% serially due June 1, 1970 to 1985	171,000
6¾% serially due November 1, 1970 to 1985	349,000
6½% sinking fund due January 15, 1982	1,369,000
6¼% sinking fund due March 1, 1968*	496,000
6¼% sinking fund due November 1, 1988	348,000
	<u>\$2,902,000</u>

*This amount is net of \$8,000 which represents bonds purchased by the Company and not cancelled as at December 31, 1971. These uncanceled bonds have been pledged as collateral for bank indebtedness.

Mortgages payable:

First mortgages:

10½% due December 1, 1986	\$ 80,000
7% due October 1, 1977	11,273
7% due January 1, 1978	16,364
7% due November 1, 1978	21,578
6% due October 21, 1978	87,095
7½% due March 1, 1987	43,770
7¼% due December 30, 1986	51,963
7¼% due February 20, 1986	368,434
7¼% due March 10, 1986	38,096
9% due April 1, 1981	18,307
7% due October 1, 1974	36,563
7% due February 1, 1976	66,842
9% due February 1, 1980	456,000
10¼% due February 1, 1991	119,233
10½% due March 1, 1991	99,402
	<u>1,514,920</u>
Second mortgages	234,501
	<u>\$1,749,421</u>

The aggregate amount of payments estimated to be required in each of the next five years to meet sinking fund and other mortgage debt retirement provisions are as follows:

1972	\$360,400	1975	\$319,250
1973	295,788	1976	317,950
1974	319,588		

The company is the owner of properties leased to major tenants and these existing leases will generate adequate cash flow to retire the above long-term debt as it falls due.

7. Deferred income taxes:

In calculating the taxable income, the Company avails itself of certain provisions of the Income Tax Act to reduce taxes currently payable by \$8,114. The total of such deferred taxes at December 31, 1971 is \$180,376.

8. Stock option:

A director and officer has been granted an option to purchase 25,000 common shares of the Company at a price of \$6.00 per share. This option is exercisable in five annual installments of 5,000 shares and expires on December 31, 1974. The option may be exercised in any year with respect to any shares not purchased pursuant to said option in any prior year or years.

9. Commitments:

The Company is committed as a tenant under various leases to annual rentals of approximately \$138,000. All the leased properties have been sub-leased, mainly to major oil companies, for periods that approximately coincide with the terms of the leases to the Company. Each of the properties yields a rental equal to or greater than the rent paid by the Company.

The Company has options to purchase all but two leased properties at the expiration of the respective lease terms.

10. Remuneration of directors and senior officers:

The aggregate direct remuneration for the six months paid or payable to directors and senior officers amounts to \$26,038.

11. Adjustment of prior years' income:

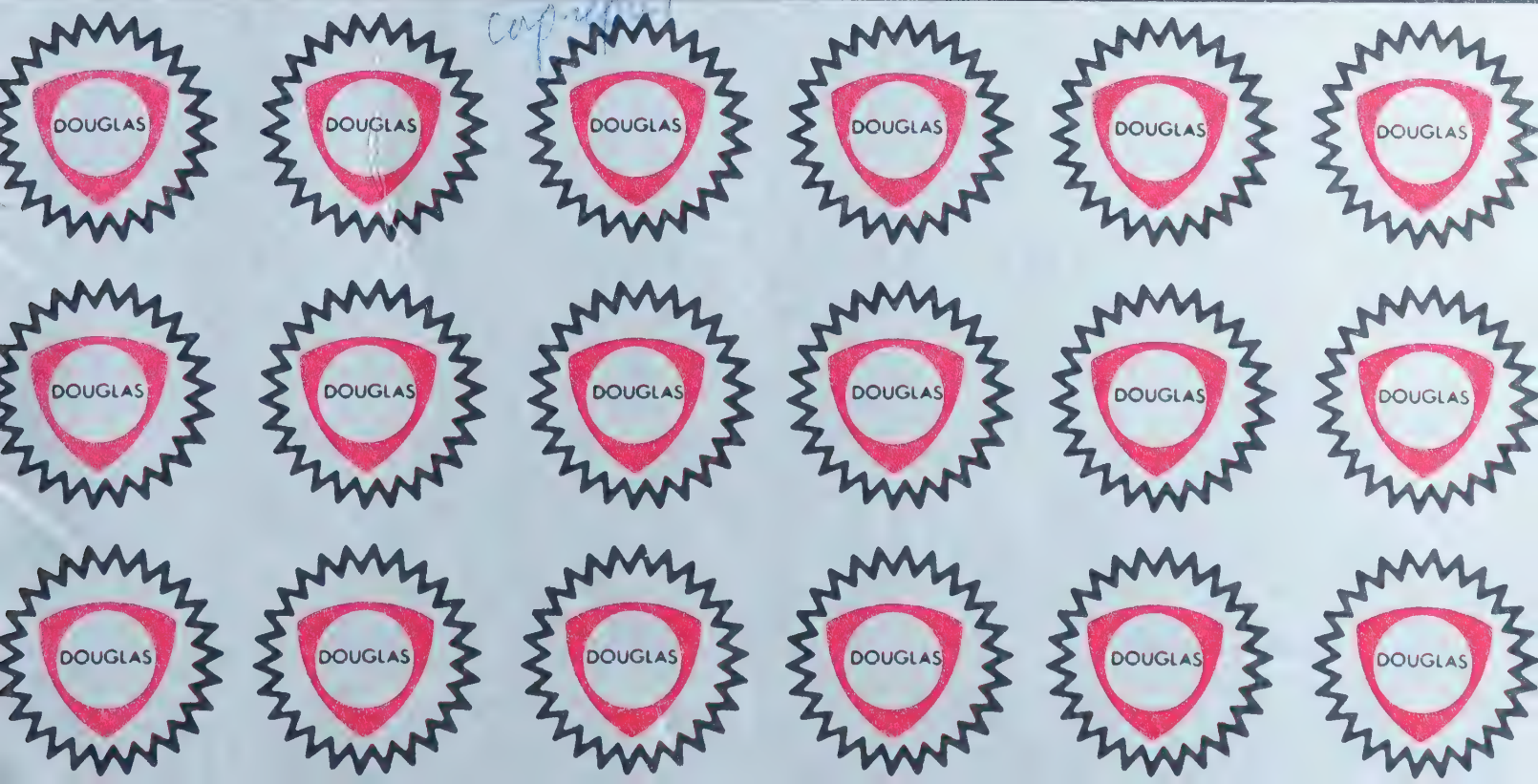
The Company has absorbed a net charge of \$17,083 which was related directly to car wash operations in the fiscal years ended June 30, 1970 and 1971. Accordingly, the balance of retained earnings at July 1, 1971, previously reported as \$651,044 has been restated to show the retroactive effect of this charge. Of the \$17,083, \$10,000 (net of income taxes) is applicable to the year ended June 30, 1971 and has been charged to income for that year. The remaining \$7,083 is applicable to the year ended June 30, 1970 and has been charged to retained earnings at July 1, 1970, previously reported as \$418,687.

12. Proposed income tax re-assessments:

The Department of National Revenue has advised that it intends to assess additional income taxes for the years 1968 and 1970. The total taxes resulting from these proposed re-assessments are approximately \$35,000. The Company has obtained the advice of counsel and believes its treatment has been in accordance with the applicable tax law. Accordingly, no provision for additional taxes has been made in the financial statements.



ANNUAL REPORT FOR YEAR ENDING JUNE 30, 1971





1000 Lawrence Ave. West, Toronto, Ontario



HEAD OFFICE OF AUTO ELECTRIC



FORMING WORK BY TRU-WALL CONCRETE FORMING LIMITED

DIRECTORS

Thomas M. Bradfield
Alexander H. Douglas
George F. Leaver
John B. McLellan
James J. P. Walsh, Q.C.

OFFICERS

Alexander H. Douglas	President
Thomas M. Bradfield	Vice-President & General Manager
George F. Leaver	Vice-President
John B. McLellan	Secretary
Albert Zoberman	Treasurer

TRANSFER AGENTS AND REGISTRARS

Canada Permanent Trust Company Toronto

SOLICITORS

Fraser & Beatty Toronto

BANKERS

Canadian Imperial Bank of Commerce . . Toronto

AUDITORS

Laventhol Krekstein Horwath & Horwath Toronto

DOUGLAS LEASEHOLDS LIMITED
ANNUAL REPORT
FOR YEAR ENDING
JUNE 30, 1971



REPORT TO SHAREHOLDERS

Your Directors take pleasure in submitting the Annual Report of the Company for the year ended June 30, 1971, with comparative figures for the previous year.

Financial

This year all operations of the Company have been consolidated into one report. In order to provide a meaningful comparison, the 1970 consolidated financial statements have been restated to include the accounts of Juniper Investments Limited.

It will be noted that total revenue in the year ended June 30, 1971 rose to \$1,324,799 from \$994,324 in the previous year. Operating income reached \$220,647., an increase of 40% over the \$157,424. achieved in the year ended June 30, 1970.

In the year under review, gains on the disposition of investment properties were in the amount of \$38,793. plus the realization of \$39,351. of appraisals. In accordance with conservative accounting practice this appraisal realization of \$39,351. has not been reflected in the income of the Company but transferred directly from appraisal surplus to retained earnings. The net income of the Company would have been increased by 5c per share (29.4c) if this realization were included in income.

Net income (after income taxes and extraordinary items) was \$193,006., again an increase of 40% over net income of \$137,760. in the previous year. Per share earnings on net income were 24.4c compared with 17.4c for 1970.

Operations

In the past year, the combination of high interest rates, the high cost of commercial land and construction costs, tended to hamper the development of leased properties for major tenants. Many potential customers simply refused to pay the rents required as a result of the above factors. Our plans for a major

shopping centre in Leamington, Ontario have now been terminated, as we were unable to secure sufficient interest from major tenants to make the project economically feasible.

As these developments became obvious, your Company then turned more of its attention to another of its major interests, Auto Electric Service Company, Limited. As of October 15, 1971, your Company had increased its holdings to 128,400 shares of Auto Electric.

The management structure of Auto Electric has been almost completely re-organized in the past 12 months, and it is expected that the results of these changes will be reflected in improved operating results for Auto Electric in the 1971 calendar year.

The upsurge of activity in residential construction is having a beneficial effect on Tru-Wall Concrete Forming Limited, and dividends received from our shareholdings in Tru-Wall are reflected in our increased dividend income this year.

Subsequent to June 30, 1971, your Company has leased, on a net/net basis to a major oil company, the car wash premises previously operated on O'Connor Drive in Toronto.

Outlook

The year just passed has been highly successful, although the current year is clouded with uncertainty. However, Douglas Leaseholds by the very nature of its operations, has built-in stability which will carry it through any period of economic upset. Its growth may be slowed in the year ahead, but its revenues are virtually guaranteed by our net/net leased investment properties. With this assurance in mind, we look forward with confidence to the future.

On Behalf of the Board of Directors,

ALEXANDER H. DOUGLAS

October 22, 1971.

President.

DOUGLAS LEASEHOLDS LIMITED
ANNUAL REPORT
FOR YEAR ENDING
JUNE 30, 1971



Consolidated Statement of Income and Retained Earnings

(Note 1)

	Year Ended June 30,	
	1971	1970
Revenue:		
Rentals	\$1,238,577	\$917,485
Less rent paid on leased service stations	136,759	138,291
	1,101,818	779,194
Dividend income and management fees	71,327	63,148
Car wash income	151,654	151,982
	<u>1,324,799</u>	<u>994,324</u>
Expenses:		
Interest on long-term debt	355,026	326,065
Depreciation	65,947	80,022
Other operating expenses	683,179	430,813
	<u>1,104,152</u>	<u>836,900</u>
Income before income taxes, gains on disposition of investment properties and other extraordinary items	220,647	157,424
Income taxes (Note 7)	91,476	66,641
Income before gains on disposition of investment properties and other extraordinary items	<u>129,171</u>	<u>90,783</u>
Extraordinary items (Note 11)	<u>63,835</u>	<u>46,977</u>
Net income	<u>193,006</u>	<u>137,760</u>
Retained earnings at beginning of year	418,687	259,099
Realizations of appraisals, net of applicable income taxes (Note 1(b))	39,351	21,828
Retained earnings at end of year	<u>\$ 651,044</u>	<u>\$418,687</u>
Earnings per share:		
Income before extraordinary items	<u>16.3c</u>	<u>11.5c</u>
Net income	<u>24.4c</u>	<u>17.4c</u>

See accompanying notes.

Auditors' Report

To the Shareholders of
Douglas Leaseholds Limited

We have examined the consolidated balance sheet of Douglas Leaseholds Limited and subsidiary as at June 30, 1971 and the consolidated statements of income and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Companies as at June 30, 1971 and the results of their operations and the source and use of their funds for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the changes described in Note 1 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Toronto, Ontario,
October 22, 1971

LAVENTHOL KREKSTEIN HORWATH & HORWATH
Chartered Accountants.



Consolidated Balance Sheet

(Note 1)

ASSETS

Year Ended
June 30,

	1971	1970
Accounts and mortgages receivable (Note 2)	\$ 80,420	\$ 163,081
Sinking fund cash deposit	74,165	74,355
Land held for resale, at cost	30,336	30,336
Investment properties and equipment (Note 3)	7,719,559	7,613,436
Investment in shares of publicly held companies (Note 4)	919,543	867,782
Prepaid expenses and sundry assets	56,896	46,113
Deferred financing costs and expenses, less amortization (Note 5)	192,324	210,004
	<u>\$9,073,243</u>	<u>\$9,005,107</u>

LIABILITIES

Year Ended
June 30,

	1971	1970
Bank indebtedness (Notes 4 and 6)	\$ 388,884	\$ 402,941
Accounts payable and accrued interest	187,694	163,073
Shareholder's loan	90,000	90,602
First mortgage bonds (Note 6)	2,947,000	3,171,000
Mortgages payable (Note 6)	1,810,246	1,731,506
Deferred commissions payable	81,250	88,750
Deferred income	73,983	75,258
Deferred income taxes (Note 7)	172,262	153,059
	<u>5,751,319</u>	<u>5,876,189</u>

SHAREHOLDERS' EQUITY

Capital (Note 8):

Authorized:

1,500,000 Commons shares, without par value

Issued:

790,000 Common Shares

1,066,200

1,066,200

Excess of appraised value of land included

in properties over cost (Note 3)

1,604,680

1,644,031

Retained earnings

651,044

418,687

3,321,924

3,128,918

\$9,073,243

\$9,005,107

Approved on behalf of the Board of Directors:

A. H. Douglas (Director)

T. M. Bradfield (Director)

See accompanying notes.

DOUGLAS LEASEHOLDS LIMITED
ANNUAL REPORT
FOR YEAR ENDING
JUNE 30, 1971



Consolidated Statement of Source and use of Funds

(Note 1)

Source of funds:	Year Ended June 30,	
	1971	1970
Operations:		
Net income	\$193,006	\$ 137,760
Add items not requiring cash outlay:		
Depreciation and amortization	78,013	88,402
Deferred income taxes	19,203	44,859
	<u>290,222</u>	<u>271,021</u>
Cost of properties sold	81,923	40,503
Repayment of mortgages receivable	105,704	—
Mortgage proceeds	277,000	625,000
Shareholder's advances	(602)	90,602
Realizations of appraisal	39,351	21,828
Prepaid rent	—	48,000
	<u>\$793,598</u>	<u>\$1,096,954</u>
Use of funds:		
Principal payments on bonds and mortgages	\$422,260	\$ 313,448
Investment in shares of publicly held companies	53,676	122,751
Sinking fund deposit	(190)	74,355
Purchase of properties and equipment	293,343	641,378
Net change in other assets and liabilities	10,452	156,653
Change in bank indebtedness	14,057	(211,631)
	<u>\$793,598</u>	<u>\$1,096,954</u>

See accompanying notes.

Notes to Consolidated Financial Statements



Year Ended June 30, 1971

1. ACCOUNTING PRINCIPLES:

(a) PRINCIPLES OF CONSOLIDATION:

The 1971 consolidated financial statements include, for the first time, the accounts of the Company's wholly-owned subsidiary, Juniper Investments Limited. As a result of acquisition of rental properties, the operations of the subsidiary have changed so that they are comparable to those of the parent and now allow for meaningful consolidation. For purposes of comparability, the 1970 consolidated financial statements have been restated to include the accounts of Juniper Investments Limited.

The Company's wholly-owned subsidiary, Douglas Leaseholds (Quebec) Limited, whose accounts are consolidated in the 1970 financial statements, transferred all its assets to the parent company as of July 1, 1970. The subsidiary has made application to surrender its charter.

(b) 1970 RESTATEMENT:

As recommended by the Accounting and Auditing Research Committee of the Canadian Institute of Chartered Accountants, the Company has adopted the policy of transferring realizations of appraisals directly to retained earnings. In addition, gains on dispositions of investment properties are included in extraordinary items. The 1970 consolidated financial statements have accordingly been restated.

(c) DEPRECIATION:

The Company uses the sinking fund method of depreciation under which an increasing amount, consisting of a fixed annual sum together with interest computed at the rate of 5% per annum, is charged to income so as to fully depreciate the buildings over a 35-year period. Equipment is depreciated on a straight-line basis at 10% per annum.

2. ACCOUNTS AND MORTGAGE RECEIVABLE:

Mortgage receivable, 9%, matures October 17, 1979	\$ 28,862
Sundry accounts receivable	\$ 51,558
	<u>\$ 80,420</u>

3. INVESTMENT PROPERTIES AND EQUIPMENT:

Undeveloped land, at appraised value	\$ 145,500
Developed properties:	
Land, at cost	\$ 495,028
Land, at appraised value	3,675,908
Buildings and equipment, at cost ...	3,807,176
	<u>7,978,112</u>
Less accumulated depreciation	404,053
	<u>7,574,059</u>
	<u>\$7,719,559</u>

LAND:

Land shown above at appraised value is based on an appraisal made June 30, 1968 by Canada Permanent Trust Company. The excess of appraised value over cost has been reduced from \$1,687,859 to \$1,604,680 as a result of the realization of appraisal through sale of properties.

4. INVESTMENT IN SHARES of publicly held companies, at cost:

Company	No. of Shares	Cost	Market Value October 22, 1971 (Date of Auditors' Report)	Market Value June 30, 1971
Auto Electric Service Company Limited	125,000 (20.4% of total issued)	\$701,090	\$581,250	\$600,000
Tru-Wall Concrete Forming Limited	55,455 (15.0% of total issued)	212,154	169,138	160,820
Sundry		6,299	2,260	2,300
		<u>\$919,543</u>	<u>\$752,648</u>	<u>\$763,120</u>

These shares have been pledged against bank and other indebtedness.

5. DEFERRED FINANCING COSTS AND EXPENSES, less amortization:

Unamortized mortgage financing costs	\$ 84,862
Unamortized leasing commissions	101,295
Prepaid rent	6,167
	<u>\$ 192,324</u>

The above costs are being amortized over the terms of the respective mortgages and loans.

6. FIRST MORTGAGE BONDS:

6¾% serially due January 1, 1972 to 1985	\$ 178,000
7½% serially due June 1, 1972 to 1985	171,000
6¾% serially due November 1, 1971 to 1985 ...	368,000
6½% sinking fund due January 15, 1982	1,369,000
*6¼% sinking fund due March 1, 1988	496,000
6¼% sinking fund due November 1, 1988	365,000
	<u>\$2,947,000</u>

*This amount is net of \$8,000 which represents bonds purchased by the Company and not cancelled as at June 30, 1971. These uncanceled bonds have been pledged as collateral for bank indebtedness.

MORTGAGES PAYABLE:

First mortgages:	
10½% due December 1, 1986	\$ 80,000
7% due October 1, 1977	12,032
7% due January 1, 1978	17,392
7% due November 1, 1978	22,992
6% due October 21, 1978	92,197
7½% due March 1, 1987	44,533
7¼% due December 30, 1986	52,923
7¼% due February 20, 1986	375,693
7¼% due March 10, 1986	38,940
9% due April 1, 1981	18,900
B.P. Canada Limited, due August 1, 1974	31,667
7% due August 1, 1978	73,815
9% due February 1, 1980	468,000
10¾% due February 1, 1991	119,751
10½% due March 1, 1991	99,854
	<u>1,548,689</u>
Second mortgages:	261,557
	<u>\$1,810,246</u>

The aggregate amount of payments	1972	\$310,158
estimated to be required in each of	1973	363,391
the next five years to meet sinking	1974	334,797
fund and other mortgage debt re-	1975	344,339
tirement provisions are as follows:	1976	367,387

7. DEFERRED INCOME TAXES:

In calculating the taxable income, the Company avails itself of certain provisions of the Income Tax Act to reduce taxes currently payable by \$19,203 in 1971 and \$44,859 in 1970. The total of such deferred taxes at June 30, 1971 is \$172,262.

8. STOCK OPTION:

A director and officer has been granted an option to purchase 25,000 common shares of the Company at a price of \$6.00 per share. This option is exercisable in five annual instalments of 5,000 shares and expires on December 31, 1974. The option may be exercised in any year with respect to any shares not purchased pursuant to said option in any prior year or years.

9. COMMITMENTS:

The Company is committed as a tenant under various leases to annual rentals of approximately \$138,000. All the leased properties have been sub-leased, mainly to major oil companies, for periods that approximately coincide with the terms of the leases to the Company. Each of the properties yields a rental equal to or greater than the rent paid by the Company.

The Company has options to purchase all but two leased properties at the expiration of the respective lease terms.

10. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS:

The aggregate direct remuneration for the year paid or payable to directors and senior officers amounts to \$55,274.

11. EXTRAORDINARY ITEMS:

Gains on disposition of investment properties	\$38,793
Gain on purchase of Company's 6¼% sinking fund bonds payable, due March 1, 1988 (Note 6)	10,010
Reduction of income taxes resulting from carry- forward of prior years' operating losses of subsidiary	15,032
	<u>\$63,835</u>



1000 Lawrence Ave. West, Toronto, Ontario

DOUGLAS LEASEHOLDS LIMITED

NOTICE OF ANNUAL AND GENERAL MEETING OF SHAREHOLDERS
NOVEMBER 25, 1971

NOTICE IS HEREBY GIVEN that the annual and general meeting of the shareholders of DOUGLAS LEASEHOLDS LIMITED (hereinafter called the "Corporation") will be held at the head office of the Corporation at 1000 Lawrence Avenue West, Toronto, Ontario, Canada, on Thursday, the 25th day of November, 1971 at the hour of 10:00 o'clock in the forenoon, (Eastern Standard Time) for the following purposes:

1. To receive the consolidated financial statements of the Corporation for the year ended June 30, 1971 together with the reports of the directors and auditors thereon;
2. To elect directors;
3. To appoint auditors and to authorize the board of directors to fix the remuneration of such auditors;
4. To consider and, if thought fit, to confirm, with or without variation, By-law No. 4 of the Corporation being a by-law respecting the indemnification of directors and officers and others acting for the Corporation and which is explained in the accompanying information circular. A copy of the by-law may be obtained on request from the secretary of the Corporation;
5. To consider and, if thought fit, to confirm, with or without variation, a resolution passed by the directors of the Corporation to amend the Articles of Incorporation of the Corporation, to authorize the Corporation to purchase any of its common shares out of surplus and which is explained in the accompanying information circular. A copy of the resolution may be obtained on request from the Secretary of the Corporation;
6. To transact such further or other business as may properly come before the meeting or any adjournment or adjournments thereof.

DATED at Toronto the 29th day of October, 1971.

By Order of the Board,

A. H. Douglas,
President.

NOTE:

If you are unable to be personally at the meeting, kindly fill in, sign and return in the envelope provided for that purpose the enclosed instrument of proxy.

INFORMATION CIRCULAR

The information contained in this circular is furnished in connection with the solicitation of proxies by the management of Douglas Leaseholds Limited (hereinafter sometimes called the "Corporation") for use at the annual and general meeting of the shareholders of the Corporation (hereinafter called the "meeting") to be held at the head office of the Corporation at 1000 Lawrence Avenue West, Toronto, Ontario, Canada, on Thursday, the 25th day of November, 1971 at the hour of 10:00 o'clock in the forenoon (Eastern Standard Time), for the purposes set forth in the foregoing notice of meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by regular employees of the Corporation. The cost of solicitation will be borne by the Corporation.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

Only holders of common shares without par value of the Corporation will be entitled to vote at the meeting. Each holder of a common share of the Corporation of record on November 25, 1971, the date of the meeting, is entitled to one vote for each share held. As at October 29, 1971, 790,000 common shares of the Corporation were outstanding.

Mr. Alexander H. Douglas, the President of the Corporation beneficially owns directly or indirectly 164,700 common shares of the Corporation, which represent approximately 21% of the outstanding equity shares of the Corporation.

The A.H. Douglas Family Trust, of which Mr. Alexander H. Douglas and his wife are trustees, beneficially owns directly or indirectly 126,348 common shares of the Corporation, which represent approximately 16% of the outstanding equity shares of the Corporation.

ELECTION OF DIRECTORS

The following are the names of the persons for whom it is intended that votes will be cast for their election as directors pursuant to the proxy which is hereby solicited: A.H. Douglas, G.F. Leaver, J.J.P. Walsh, T.M. Bradfield and J.B. McLellan.

The term of office for each such person will be until the next annual meeting or until his successor is appointed. In the event that prior to the annual meeting any vacancies occur in the slate of nominees submitted herewith it is intended that discretionary authority shall be exercised to vote the proxy for the election of any other person or persons as directors.

INFORMATION CONCERNING NOMINEES AS DIRECTORS

<u>Name and Present Principal Occupation</u>	<u>Year first became a director</u>	<u>Common Shares Beneficially owned directly or indirectly as of October 29, 1971</u>
A.H. DOUGLAS, President of Douglas Leaseholds Limited	1955	164,700
T.M. BRADFIELD, General Manager of Douglas Leaseholds Limited	1968	2,300
G.F. LEAVER, Treasurer of Leaver Mushrooms Co. Limited	1968	nil
J.J.P. WALSH, Lawyer with Rosenberg, Walsh, Smith, Paton & Kroul	1955	500
J.B. McLELLAN, Lawyer with Fraser & Beatty	1968	6,900

NOTE:

- A. Mr. T.M. Bradfield is also a Vice-President of the Corporation.
- B. Each nominee who is stated to have first become a director in a specified year has served continuously as a director from the year indicated except for J.J.P Walsh who was a director from September 16 to October 12 in 1955 and from January 18, 1962 until November 5, 1968 and from December 12, 1968 to date.
- C. The following nominees in addition to the present principal occupations shown above have held the following principal occupations within the 5 years preceding October 29, 1971:
 1. Mr. A.H. Douglas, as Chairman of the Board and Chief Executive Officer of Auto Electric Service Company, Limited since January, 1967.
 2. Mr. G.F. Leaver, as President of Dixie Canning Company Limited.
 3. Mr. T.M. Bradfield as a registered representative with investment dealers.

Alexander H. Douglas and the A.H. Douglas Family Trust have agreed with Leaver Investments Limited and Dickson Equipment Limited (now known as The Canadian Wool Company Limited) that they will vote their respective shares to maintain representation on the board of directors of the Corporation in proportion to their respective holdings of shares of the Corporation. This agreement terminates when the members of either group holds less than 3% of the equity shares of the Corporation.

Alexander H. Douglas and the A.H. Douglas Family Trust have requested the election of Messrs. Douglas, Bradfield and Walsh as directors and Leaver Investments Limited and The Canadian Wool Company Limited have requested the election of Messrs. Leaver and McLellan as directors. There is no arrangement or understanding as to how any such persons will act as directors.

REMUNERATION OF MANAGEMENT

During the fiscal year ended June 30, 1971 the aggregate direct remuneration paid or payable by the Corporation to all directors and senior officers as a group was \$55,274. No remuneration was paid by any of the subsidiaries of the Corporation to any director or senior officer of the Corporation.

The Corporation has entered into an agreement dated November 29, 1968 with Mr. Alexander H. Douglas, the President of the Corporation, whereunder the Corporation has agreed to pay, on the death or retirement of Mr. Douglas or under certain other circumstances certain benefits which are approximately the same benefits the Corporation would receive on the death of Mr. Douglas under two policies of insurance, the face values of which aggregate \$250,000, owned by the Corporation insuring the life of Mr. Douglas. Total premiums on the said two policies of insurance amount to approximately \$5,983 per year.

PARTICULARS OF MATTERS TO BE ACTED UPON AND THE INTEREST OF MANAGEMENT AND OTHERS THEREIN

By-law No. 4

The meeting has been called for the purpose, among other things, to consider and if thought fit to confirm, with or without variation, By-law No. 4 passed by the directors of the Corporation on December 15, 1970 being a by-law amending the provisions of By-law No. 1 of the Corporation and providing for the indemnification of the directors or officers of the Corporation or others as provided for in The Business Corporations Act, 1970 (Ontario). The provisions of By-law No. 4 relating to the indemnification of directors or officers of the Corporation or others are as follows:

“Subject to subsection (2) of Section 147 of The Business Corporations Act, 1970 (Ontario), every director or officer of the Corporation or other person who has undertaken or is about to undertake any liability on behalf of the Corporation or any corporation controlled by it and his heirs, executors, administrators and other legal personal representatives, shall from time to time be indemnified and saved harmless by the Corporation from and against:

- (a) any liability and all costs, charges and expenses which such director, officer or other person sustains or incurs in respect of any action, suit or proceeding that is proposed or commenced against him for or in respect of anything done or permitted by him, in respect of the execution of the duties of his office; and
- (b) all other costs, charges and expenses that he sustains or incurs in respect of the affairs of the Corporation.”

By-law No. 4 must be confirmed by the shareholders to continue in effect.

AMENDMENTS TO ARTICLES OF INCORPORATION

The Business Corporations Act, 1970 (Ontario), which came into force on January 1, 1971 has substantially amended the laws applicable to business corporations incorporated under the laws of Ontario. One of the new provisions of the Act permits a corporation, if authorized by its articles of incorporation, to purchase its common shares out of surplus. The directors consider that it would be in the interest of the Corporation to amend its articles of incorporation to authorize it to purchase its common shares out of surplus. Accordingly a resolution authorizing such an amendment was passed by the directors as of the 26th day of January, 1971. In order to be effective this resolution must be confirmed by at least two-thirds of the votes cast at the meeting. The directors have no immediate intention of exercising the authority to purchase common shares of the Corporation out of surplus.

APPOINTMENT OF AUDITORS

It is intended to vote the proxy to re-appoint the firm of Laventhol Krekstein Horwath & Horwath, the present auditors, as auditors of the Corporation to hold office until the next annual meeting of shareholders.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The only directors and senior officers of the Corporation and the only shareholders that own at least 10% of the shares of the Corporation and the only associates or affiliates of any of the foregoing persons or companies, having any material interest, direct or indirect, in any transaction with the Corporation or its subsidiaries since June 30, 1970, are as follows:

A second mortgage dated September 15, 1970 given by Juniper Investments Limited (a wholly owned subsidiary of the Corporation) to A.H. Douglas Investments Corporation Limited in connection with the purchase of an investment property at 932 Simcoe St. North, Oshawa, Ontario. Said second mortgage bears interest at the rate of 15% per annum, being the current rate of interest at that time on such loans, (2 commitments for 2nd mortgage funds at 15% per annum, plus brokerage charges were received by the Corporation) and may be repaid at any time without notice or bonus. No fees or brokerage charges were paid in securing the said mortgage.

VOTING OF PROXIES

A shareholder has the right to appoint a person (who need not be a shareholder) to attend and act for him and on his behalf at the meeting other than the persons designated in the enclosed form of proxy. To exercise this right the shareholder may insert the name of the desired person in the blank space provided in the proxy and strike out the other names or may submit another appropriate proxy.

The shares represented by the proxy will be voted and where a choice with respect to any matter to be acted upon has been specified in the Form of Proxy the shares will, subject to the provisions of Section 121 of the Business Corporations Act, 1970 (Ontario), be voted in accordance with any specification so made. The enclosed form of proxy confers discretionary authority with respect to amendments or variations to matters identified in the notice of meeting and other matters which may properly come before the meeting.

A shareholder executing the enclosed form of proxy has the power to revoke it at any time before it is exercised. Section 116 (4) of The Business Corporations Act, 1970 (Ontario), sets out a procedure for revoking proxies by the deposit of an instrument in writing at the head office of the Corporation or with the Chairman of the meeting.

GENERAL

The management knows of no matters to come before the meeting other than the matters referred to in the notice of the meeting. However, if any other matters which are not now known to the management should properly come before the meeting, the proxy hereby solicited will be voted on such matters in accordance with the best judgment of the person voting the proxy.

DATED as of October 29, 1971